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AIR COMMAND AND STAFF COLLEGE

AIR UNIVERSITY

McPEAK'S FOLLIES

A COMPREHENSIVE LOOK AT RATED MANAGEMENT IN
THE 90'S AND BEYOND

by

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A Research Report Submitted to the Faculty

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Preface

The military as an institution is being eroded. The American military culture, established through two centuries of tradition, is under attack like it has never been before. Pilot retention, and retention in general, threatens to destroy the foundation on which our great Air Force was built. In order to solve its problems, the Air Force must revive its warrior spirit. It must regain the trust of its people and in doing so restore the very institutions that set the fighting elite apart.

I would like to thank Major Brian Bjornson, my research advisor, for graciously taking me on so late in the process. I would also like to thank my wife, Kathy, for having the patience to help see me through. Their guidance and understanding were invaluable and appreciated.

This research project is dedicated to those who stay. Your challenge is to foster a culture that embraces the leadership and commitment necessary to revive the warrior spirit. Without it, our Air Force will fail to meet the changing demands of the new millennium.

Abstract

The United States Air Force is losing pilots at an alarming rate. Current projections predict a shortage of 2,300 military pilots by the year 2000. The Aviation Continuation Pay acceptance rate, which reflects how many pilots who have completed an initial eight year active duty service commitment (ADSC) are willing to accept a new five-year commitment by signing up for the pilot bonus, has fallen from a high of 81 percent in 1994 to 28 percent in 1998. As a result, the ability of the Air Force to maintain combat readiness has become a problem of national significance.

This report will thoroughly analyze rated management from 1988 to present. It will rely heavily on three main bodies of work related to the subject: November 1988 Department of Defense Aviator Retention Study, 1995 RAND study on Total Force Pilot Requirements and Management, and the 1995 study conducted by David L. Stum, Ph.D., on employee loyalty in America. It will research all aspects of the retention dilemma using resources available at Air University Library and on the Internet.

The paper's objective is to prove the Air Force mismanaged its pilot force in the early nineties while placing too much emphasis on monetary compensation. It will argue that the Air Force is finally recognizing key factors in the rated management process and beginning to take necessary actions to produce a solution. It will conclude that any viable solution must address the role Air Force culture plays in retaining a highly motivated, dedicated workforce into the 21st century.

Chapter 1

INTRODUCTION

People are the heart of the Air Force's military capability, and people will continue to be the most important element of the Air Force's success in capitalizing on change.

--Global Engagement: A Vision for the 21st Century Air Force

The quality of Air Force pilot training is the best in the world. The country's investment in the skills of Air Force pilots during the first nine years of active duty averages 5.9 million dollars.¹ The aircraft they fly are among the most technologically advanced that the world has ever seen. The United States Air Force should appreciate the role this valuable human resource plays in its ability to accomplish its primary mission and the critical importance of managing it effectively.

Yet, the Air Force is experiencing greater difficulty than ever before in retaining aviators as the rapid growth of the commercial airline industry has created increased demand for pilots and threatens to outpace available supply.² This statement summarizes the current situation as it applies to pilot retention in today's Air Force, except for one small detail--it was made in 1988. Beginning in the early 1980s, the services sponsored a variety of initiatives to reverse pilot retention declines that occurred in the late 1970s.³ Despite almost twenty years of experience in balancing the rated force, recent Air Force projections predict a shortfall of 2300 pilots by the year 2002.⁴

In light of its past performance, it is reasonable to question the Air Force's ability to manage this difficult dilemma. Has the Air Force mismanaged this issue in the past? Is the Air Force failing to recognize the significance of key factors contributing to the current pilot retention crisis, and can the Air Force stem the tide of departing pilots and correct the predicted shortfall?

The answers to these questions and the conclusions drawn from this analysis are based on three primary studies: November 1988 Department of Defense Aviator Retention Study; 1995 RAND study on Total Force Pilot Requirements and Management; and the 1995 study conducted by David L. Stum, Ph.D., on employee loyalty in America. The accuracy of data contained within these studies was compared and when possible, verified, with other sources when used to support the paper's thesis.

This paper will argue that today's pilot retention crisis is the direct result of rated management decisions made during the period 1991 through 1994. It will show that although recent efforts to address factors inherent in successful rated force management are a step in the right direction, the Air Force has failed to address the issue at the very heart of the dilemma. It will then present preconditions to the development of a viable solution and a course of action to prevent pilot shortages from recurring in the future.

Notes

¹ Air Force News. August 28, 1998.

² U.S. Military Facing Pilot Shortage as Commercial Industry Expands, Aviation Week and Space Technology. p.109. June 13, 1988.

³ United States. Department of Defense. DoD Aviator Retention Study. p. 1.-3. November 1988.

⁴ Chapman, Suzanne. Keeping Pilots in the Cockpits. Air Force Magazine. p. 66. July 1997.

Chapter 2

The Rated Management Process

Air Force Chief of Staff Merrill McPeak entered the 1991 CORONA South Conference facing a difficult dilemma. Defense cuts and force drawdowns threatened to shrink the Air Force at a rate faster than it was prepared to manage. Pilot training production exceeded major weapon system absorption rates creating a short-term pilot surplus. Air Force planners predicted an excess of 3,400 pilots in 1994.¹ Four days after the conference, General McPeak sent a handwritten note to the Air Force Deputy Chief of Staff for Personnel tasking him to reduce Reserve Officer Training Corp (ROTC) inputs into Undergraduate Pilot Training (UPT) while temporarily deferring 700 UPT graduates into non-flying support jobs.² In just four days, General McPeak created a pilot “bank”, which would grow to encompass 1,100 deferred pilots. Shortly thereafter, as a result of the base realignment and closure process, a decision was made to close two pilot training bases. These ill-advised decisions are a primary reason for the pilot retention crisis we face today.

Ironically, prior to the drawdown, the Air Force rated management system had anticipated a shortage of 2,900 pilots in 1994. A Department of Defense Aviator Retention Study was initiated on June 22, 1988. This study responded to congressional concern that aviator management and compensation initiatives be thoroughly and

comprehensively analyzed in connection with a FY 1989 DoD proposal for a new aviator bonus program.³ Many of its findings became the basis for rated management policies during the period immediately prior to, during, and after the drawdown.

The demand for, and supply of, military pilots is relevant to all aviator retention studies. This chapter will introduce rated management fundamentals as they relate to supply and demand. While doing so, it will trace the history of rated management during the period of 1988 to 1998. Finally, it will focus on decisions made during the drawdown and measure their impact on rated force structure up to and including the year 2002.

Requirements

The foundation of the DoD's objective setting for aviators is the manpower requirements process.⁴ In other words, the DoD's pilot production policies are driven by projected demand. The Air Force wartime mission is at the heart of the process of determining aviator requirements. This process integrates a broad spectrum of Defense Guidance (DG), additional detail included in the Joint Strategic Capabilities Plan (JSCP), and precise detail (sortie rates, attrition factors, etc.) as described in the Air Force War and Mobilization Plan (WMP). The sum of this guidance assists unified commands in developing contingency plans and Air Force major commands in developing operations plans and supporting force packages. Inherent in each of these steps is a consideration of manpower needed to accomplish each tasking.⁵

The initial phase of the Planning, Programming, and Budgeting System (PPBS) is not restrained by budgeting factors. Fiscal constraints are introduced in the programming and budgeting phases, and the end product is a statement of supportable force structure.⁶ Factors inherent in this statement are decisions as to the number and type of aircraft, crew

ratios applied to those aircraft, and the portion of forces assigned to the Guard and Reserve.

The force structure resulting from the manpower requirements process is then divided among line cockpit aviator positions (includes commander/operations officer positions), training positions, and rated staff positions. The Air Force determines the percentage assigned to each area based on flying training requirements, workload factors, and the need to provide the opportunity for professional development and education. The rated force structure is only concerned with officers in the grades of lieutenant through lieutenant colonel. Historically, over forty percent of the total rated officer force is involved in active flying with a preponderance of these spots filled by officers in lower grades.

Given the raw numbers developed by the manpower requirements process, the Air Force must ensure the force structure meets specific by-grade requirements. In order to fill line flying requirements, in addition to low, mid, and high-level leadership positions within the flying community, the Air Force must balance the number of pilots it has in each rank. The numbers of pilots in each rank make up what we call an inventory profile. Policy actions to include training, promotion, retention, compensation, separation, and retirement may be applied to adjust the shape of this profile.⁷

Supply

The other side of the rated management equation, the supply of military pilots, is the result of three main factors. First, supply begins in the training pipeline. Within limitations, the Air Force has the ability to control the number of pilots it produces each year. These limitations include the number of training aircraft available, the number of

pilot training bases from which they fly, and the number of pilot candidates in the accession pipeline. The historical figures for the 1988 to 1998 time frame are shown in Figure 1.

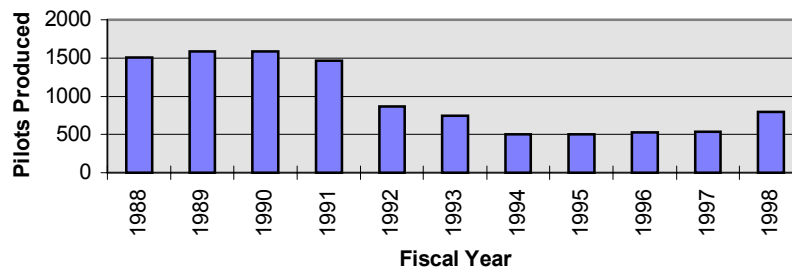


Figure 1 Pilot Production

The second variable influencing the supply of military pilots is the Active Duty Service Commitment (ADSC) pilots incur upon completion of pilot training. The ADSC is the number of years new pilots are contractually obligated to serve in exchange for training they received. When coupled with pilot production in a given year, ADSC allows the manager to know exactly how many pilots they will have during each year of commitment. For instance, the 1,510 pilots produced in 1988 have an ADSC of six

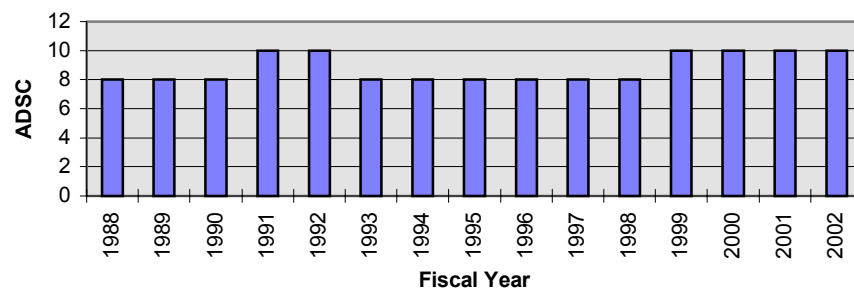


Figure 2 Active Duty Service Commitments (ADSC)

years. During the next six years, there will be 1,510 pilots rising through the ranks until just prior to 1995, when these 1,510 pilots, who are now captains, will be eligible to separate. The ADSCs for the pilots completing training from 1988 to 2002 are shown in Figure 2.

A third variable affecting the supply of military pilots is retention. The measure of effectiveness used for retention by the Air Force is the cumulative continuation rate (CCR), a measure of retention in the 6-11 years of service (YOS) group. This is the critical time after the initial active-duty service obligation ends and before officers make career decisions to stay until retirement. This measure has existed only since 1976, when the Air Force developed its rated management process.⁸ Recently, three other indicators have been added to the tools the Air Force uses to gauge pilot retention. They include the Aviator Continuation Pay (ACP) acceptance rate, separation requests, and the aggressiveness of civilian airline hiring.⁹ These factors will be discussed in the next chapter.

An understanding of the relationship between the supply and demand for military pilots is required to effectively manage the rated force. Establishing an objective force to meet manpower requirements is a dynamic, complex, and interrelated process that must consider factors such as experience levels, unit stability goals, service obligations, retention patterns, and training production rates.¹⁰

When examined in the context of supply and demand fundamentals, a discussion of the dynamics of rated force management from 1988 to present begins with an estimate of a total requirements curve. Using criteria previously discussed, a requirements curve is nothing more than a projection of how many pilots the Air Force needs to meet its total

requirements. Requirements declined from a high of 22,699 in 1988 to a low of 17,157 in 1992. In planning for the drawdown, the Air Force released an estimate of future requirements in 1992. This estimate projected the decline to continue down to 15,400 in 1994 before leveling off. The Air Force revised this estimate in 1994 to reflect force cuts called for in the Bottom-Up Review. This new estimate predicted a linear decline until 1999 when requirements would stabilize at 13,700. This data is presented in Figure 3.

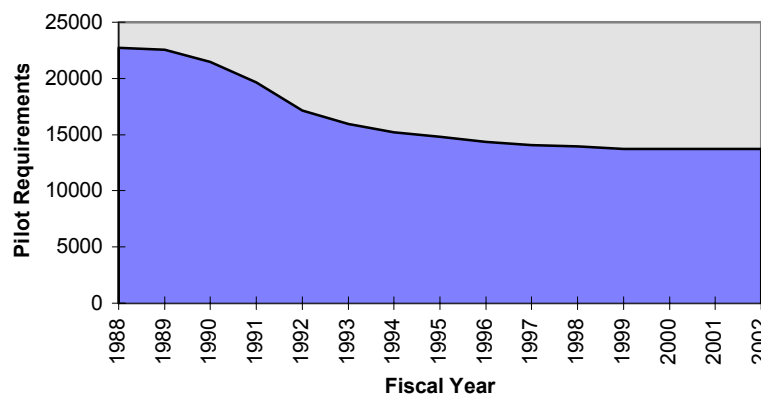


Figure 3 Pilot Requirements Estimate (1994)

From the rated management perspective, just filling the area below the total requirements curve is not enough. The manpower requirements process identifies the manning goals to be met by grade. The patterns in manning goals generally reflect the fact that the more junior grades are associated with operating aircraft. These positions are categorized as operational flying positions. The more senior grades show a gradual shift to duties associated with planning and supporting air operations, as well as flying positions of more responsibility.¹¹ The Air Force develops objectives for both operational flying positions and staffing requirements. These manning objectives are stated as a percentage of the total flying population. Experience and unit stability are two

key underlying factors in determining the structure of the objective force. The objective force can be viewed as the target inventory of aviators that is considered prudent, achievable, and needed to meet stated manpower requirements.¹²

According to the information presented up to this point, effective rated management requires an accurate prediction of requirements, both total requirements and requirements by years of service, and a combination of management actions to influence the procurement and retention of rated assets.

A Historical Perspective

Now that we have established a foundation of rated management fundamentals on which to base our analysis, we can take a closer look at the period 1988 through 1998. A general description of the overall rated management picture during this period begins with relatively high pilot production at the end of the Reagan era, followed by a dramatic drop in production levels in 1992. Retention figures as indicated by the CCR are shown

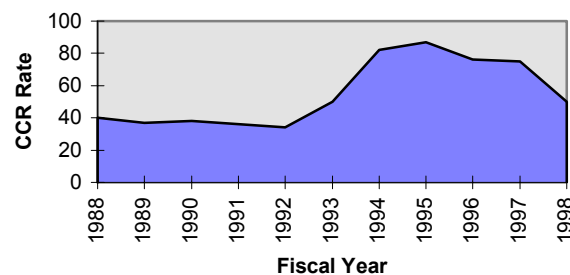


Figure 4 Cumulative Continuation Rates

in Figure 4. Low retention in the early nineties is followed by a steady rise in rates, culminating in a CCR of 87 percent in 1995. Cumulative Continuation Rates continue to decline as we approach the year 2000.

A graphical representation of the Air Force's estimate of the required projected force in 1994 is contained in Figure 5. The disparity between the objective force requirements and the actual number of pilots in the nine through eighteen years of service group is largely the result of low retention rates during the period of 1986 through 1991. This disparity continues to grow as we approach the new millennium. Despite a variety of initiatives implemented in the eighties and additional efforts in the nineties, the condition continues to deteriorate.

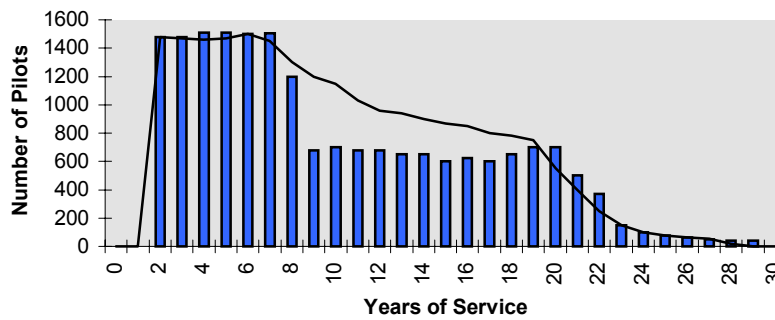


Figure 5 Projected Force in 1994

This pattern of reductions in pilot production and periodic declines in CCRs has resulted in a shortage of Air Force pilots. The force reductions that were a result of the end of the Cold War further complicated an already difficult situation. The last section of this chapter will concentrate on the policy decisions made during the drawdown and analyze the role they played in creating today's dilemma.

McPeak's Follies

In order to facilitate this analysis, we will develop our own projections of what rated management will look like in 2002 and then compare it to the Air Force's projection of a shortage of 2300 pilots. We will use the Air Force's figures for the projected force

requirements in the year 2002, but we will create our own manning projections. We will produce two projections to guide our analysis. One will assume a retention rate of 100 percent and the other will assume a rate of 30 percent. Historical results indicate that retention rates of 30 percent are expected in the mid to late nineties.

The military drawdown that began in 1991 resulted in a 40 percent reduction in the total force and a 32 percent reduction in pilot requirements. Referring back to the pilot production figures presented in Figure 1 and the ADSCs presented in Figure 2, we can predict the composition of our force in the year 2002. The first projection will assume 100 percent retention and factor in the General McPeak's pilot "bank" as it is described at the beginning of this chapter. The results are superimposed against the projected force requirements supplied by the Air Force and shown in Figure 6.¹³ Because we are focusing on the effects of policies implemented beginning in 1991, data is only

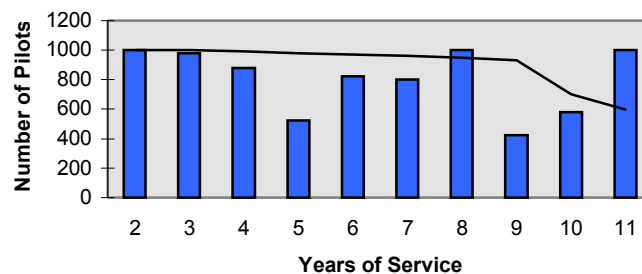


Figure 6 Projected Force (100% Retention)

presented through the first 11 years. This figure clearly shows that even if you were to assume a 100 percent retention rate, pilot production during the years 1991 through 1998 were inadequate to fill 2002 requirements. When we assume 30 percent retention for pilots up to and including the 14 year point, and expand our analysis to include 30 years

of service, we can predict what our total shortage will be. Production, ADSC, promotion rates, and retention are all factored into the results shown in Figure 7.

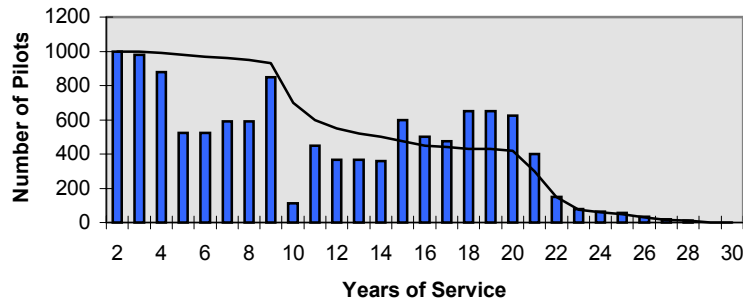


Figure 7 Projected Force (30% Retention)

This projection predicts a shortage of 2100 total pilots for the year 2002. This shortage, commonly referred to as the “bathtub” effect, is concentrated in the critical four to fourteen year group. As stated previously, this group fills most of the Air Force’s operational flying positions. The void in four to eight year range is the direct result of the Air Force’s decision to reduce training and bank pilots during the drawdown. To a lesser extent, the decision to return the ADSC to eight years in 1993 also impacts this deficit.

The impact these decisions had on future requirements should have been easily predicted. The abnormally low figure in the number of pilots with ten years of service resulted from the decision to bank 500 pilot training graduates from the 1992 class. The shortage in the ten to fourteen year group is due to reduced retention as indicated by the decline in the CCR rate beginning in 1997.

Rated force management relies on its ability to effectively manage the supply and demand of military pilots. Today’s pilot retention crisis is the direct result of the ill-advised management decisions described in detail in the preceding paragraphs. Considering the importance of qualified and experienced pilots to the Air Force, the

drastic effect of these mistakes on future readiness make the decisions that caused them appear almost comical. In reality, they are critical. The next chapter will examine the nature of the retention problem and the Air Force's attempts to fix it.

Notes

¹ Babione, Mark William. U.S. Air Force Banked Pilots: Is the Interest Worth the Deposits? (University of Colorado) p. 5. 1993.

² Ibid. p. 7.

³ United States. Department of Defense. DoD Aviator Retention Study. p. iii. November 1988.

⁴ Ibid. p. 1-3.

⁵ Ibid. p. 3-19.

⁶ Ibid. p. 3-20.

⁷ Ibid. p. 4-2.

⁸ Thie, Harry J. et al. Total Force Pilot Requirements and Management: An Executive Summary. (Rand Santa Monica, CA) p. 4. 1995.

⁹ Chapman, Suzanne. Keeping Pilots in the Cockpits. Air Force Magazine. p. 66-67. July 1997.

¹⁰ DoD Aviator Retention Study. p. 6-3.

¹¹ Ibid. p. 4-7.

¹² Ibid. p. 6-1.

¹³ Thie. p. 13.

Chapter 3

Throwing Money to the Wind

The October 1988 DoD Aviator Survey indicated that approximately 64 percent of fixed-wing pilots enter active duty intent on building a full career in military aviation. Others have limited knowledge of the military lifestyle and are undecided in their career intent. A few enter service only to gain aviation training for future airline employment. As officers progress through their careers, their experiences influence their decision to stay in the service or seek other opportunities.¹

If results of the 1988 DoD Aviator Survey are correct, and the pilot shortage predicted in 2002 is not just a figment of some personnel officer's imagination, then pilot's "experiences" are what is causing them to leave the Air Force in droves. This chapter will examine factors influencing both pilot retention and successful rated force management. It will evaluate monetary compensation issues from both the Air Force and the commercial airline perspective. It will then identify a category of factors related to the pilot's "experiences" as reported in the DoD Aviator Survey.

Monetary Incentives

The Army Appropriation Act of 1913 provided an increase of 35 percent in pay and allowances for Army Officers flying heavier-than-air craft to compensate for extremely hazardous duty they were undertaking.² It was the first in a long line of monetary

incentives designed by Air Force leadership to entice pilots into the service and keep them there. The Aviation Career Incentive Pay (ACIP) Act of 1974 was legislated to structure extra pay so that a pilot has an incentive to remain in the service for a full career. ACIP is commonly referred to as “flight pay”. In 1981, in response to pilot shortages in various aviation specialties, Congress authorized Aviation Officer Continuation Pay (AOCP), which allowed annual bonuses of as much as \$6,000 per year to pilots with between 6 and 12 years of service. Only the Department of the Navy participated in this program. As the 1980’s drew to a close, it became apparent that ACIP was no longer sufficient to retain enough pilots to meet projected defense needs. Faced with increasing losses of both Navy and Air Force pilots, Congress authorized a new bonus program in 1988 called Aviator Continuation Pay (ACP). This program provides bonuses that depend on the years of service of the pilot, and require that the pilot agree to serve for a total of 14 years in order to receive bonus money. Even with ACP, the DoD Annual Report for 1989 expressed concern that high pilot losses jeopardize combat readiness of the armed forces.³ Two more times, in 1993 and again in 1998, the Air Force asked for and received amendments to the ACP legislation.

Despite multiple attempts by the Air Force to throw money at its pilot retention problem, the Aviation Continuation Pay acceptance rate, which reflects how many pilots who have completed an initial eight-year active duty service commitment (ADSC) are willing to accept a new five-year commitment by signing up for the pilot bonus, has fallen from a high of 81 percent in 1994 to 28 percent in 1998.⁴

In fact, Congress terminated the 1981 AOCP program because it felt that, based on reports of continued declines in Naval aviator retention, the bonus was an inappropriate

method of dealing with the problem of pilot shortages.⁵ The introduction of the ACP in 1988 was justified using results of the 1988 DoD Aviator Survey and information derived from retention model simulations. The surveys indicated that 39 percent of the surveyed pilots found additional bonuses for completing additional years of service to be the most attractive retention incentive. When contemplating a bonus for pilots, it is important to be able to predict the improvement in retention. The actual acceptance rate for the bonus was well below what was expected, and the effect of the bonus on retention rates was minimal. There is therefore reason to doubt the reliability of the DoD retention models used. The lack of correlation between increases in monetary compensation and retention rates is supported by studies on employee retention as found in *Commitment in the Workplace*.⁶ Out of the eight factors examined in this study, pay finished dead last. The Air Force's practice of using monetary incentives to manage rated forces has proven to be a lesson in futility. Perhaps this is why Air Force leaders are at a loss on how to fix the retention problem.⁷

The Civilian Airline Factor

An analysis of monetary compensation as it relates to retention would not be complete without reference to the civilian airline factor. The role the civilian airlines play in rated management goes beyond mere economic factors. An argument can be made that it is the primary causal determinant in military pilot shortages. During the last three decades, the major reason for the loss of pilots is increased hiring by commercial airlines. A surge of pilot hiring in the 1960s, which translated into a large retirement rate of commercial pilots in the 1990s, has led to another surge in hiring. According to the Department of Defense, 37 percent of the commercial pilot jet force, equating to

approximately 43,000 pilots, will need to be replaced in the 1990s.⁸ Given projected hiring demand for large turbojet aircraft in the next ten years, all of the pilots produced by the military could be absorbed by the commercial airline industry. The condition is magnified by recent economic prosperity. Currently, airline demand far exceeds the number of military pilots completing their undergraduate pilot training (UPT) commitment. The Air Force’s director of Military Personnel Policy recently stated “they could hire every military pilot completing their ADSC from UPT and there would still be a great demand for pilots.”⁹ This is shown graphically in Figure 8.

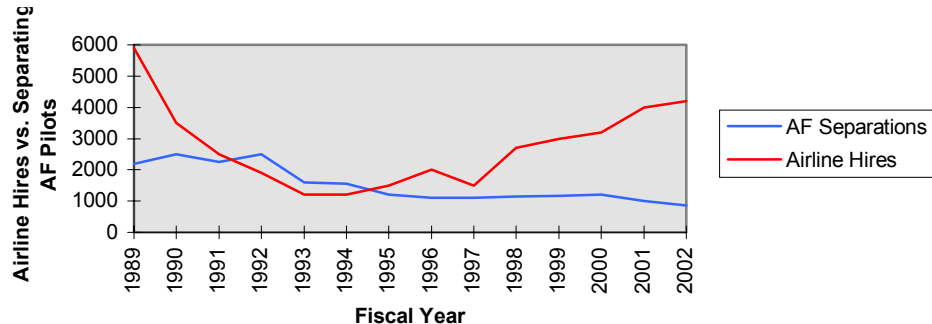


Figure 8 Airline Hires/ Air Force Separations

Just how critical to rated management are civilian airline hiring practices? Exit surveys for the Air Force indicate that for those officers separating from the service, airline hiring is the number one factor in the decision to leave.¹⁰ According to the Department of Defense Aviator Retention Study, when faced with the choice between an “average” private sector job and a military flying career, the military career competes favorably in categories such as job security, job satisfaction, opportunities to travel, advanced education, and service to country. The evidence is overwhelming, however, that lucrative airline pilot careers, when readily available, are preferred and account for the majority of military pilot separations.¹¹

The desire of military pilots to leave the service to fly for commercial airlines is understandable when potential earnings are considered. Except in the case of the jet regional carriers, there is a clear and large difference in potential earnings in favor of the airlines after the initial two-year transition is completed. When total career compensation is compared, airline earnings exceed military figures by more than a million dollars.¹²

Additionally, airline retirement, medical, and dental benefits are as good or better than those received in the military. They include extra perks, such as free travel for the family, pay for additional duties, and an average of only 15 work days per month. Perhaps more importantly, flying for the airlines allows for greater flexibility in choosing a location to call home.

The decision to leave the military is not always that easy, however. Even with the best paying airlines, military pilots will take a pay cut for the first few years and it will take approximately five years until the airline salary makes up for the military compensation left behind.¹³

More Follies

As mentioned previously, the decision to cut back pilot production and close two UPT bases was a rated management disaster. There is no question that the Air Force set the stage for a future rated management crisis when it decided to implement those policies. Unlike their ability to influence retention, there is absolutely nothing the Air Force can do to change past production levels.

The decision to “bank” new pilots, instead of absorbing them into operational squadrons, contributed to the year 2002 “bathtub” characterized by the lack of pilots in the eight to fourteen year group. The pilots who filled existing squadron positions and

postponed the absorption of new pilots could have been made reduction-in-force (RIF) eligible or moved into staff billets. In fact, after realizing what they had done, Air Force officials offered “early outs” and service commitment waivers to the very same group of pilots the bank originally protected.¹⁴ As it panned out, higher than expected separation rates coupled with a revised estimate of future requirements, eliminated the surplus less than two years from the date the policies were initiated. However, the experience distribution under the requirements curve had already suffered irreparable damage.

During this turbulent period, a number of newly trained UPT graduates were allowed to leave the service immediately after completing pilot training and the Air Force Academy stopped making medical qualifications a prerequisite for admission. This served to further compound the dilemma when the Air Force realized it needed to ramp up pilot training and there weren’t enough pilot qualified cadets at the Academy to fill its requirements.

The Air Force has wasted both time and money on the implementation of pilot bonuses. Studies have proven that there is little or no increase in retention rates associated with the ACP.¹⁵ The Air Force elected to pay bonuses to individuals who already had previous commitments. Air Force policies associated with the bonus implementation might have contributed to long-term reductions in the number of pilots choosing to accept it. After the 1993 ACP was approved by Congress, the number of pilots accepting the bonus was so far below expectations that the Air Force reverted to a policy in which pilots who refused the bonus were automatically grounded or threatened with undesirable assignments. A number of pilots likened this action to “blackmail” and saw it as a breach of faith between their commitment and the Air Force. The money paid

out in bonuses would have been better spent working the “experience” issues that have been a common thread in every retention study conducted since the early 1980s. Officials will argue that a bonus commitment is a “stop-gap” measure allowing them to better manage specific year groups by taking the guesswork out of whether or not eligible pilots would elect to stay. There is truth to that contention, but in reality, ADSCs do the same thing at no cost to the taxpayer. An Air Force survey of pilot candidates from Officer Training School, ROTC, and the Air Force Academy, found that 81 percent would still volunteer for pilot training even if the commitment increased to 10, 11, or 12 years. Approximately half of those future officers said becoming an Air Force pilot was a lifelong goal.¹⁶

Given the information presented up to this point, how is the Air Force doing when it comes to the broad range of factors that influence retention? The next chapter will evaluate the actions the Air Force has taken to stem the tide of departing pilots and correct the predicted shortfall. It will then outline prerequisites to the development of a solution based on the results of these findings, and develop a course of action to prevent pilot shortages from occurring in the future.

Notes

¹ United States. Department of Defense. DoD Aviator Retention Study. p. 1.-3. November 1988.

² Bartholomew, Herbert A. Military Compensation Background Papers: Compensation Elements and Related Manpower Cost Items, Their Purposes and Legislative Backgrounds. 2nd edition. Washington, D.C.: Department of Defense, Office of the Secretary of Defense. p. 93. July 1982.

³ Alternative Compensation plans for Improving Retention of Air Force Pilots: A Special Study. Washington: GPO, p. 2. August 1989.

⁴ Pilots. Air Force Magazine. p. 38. December 1997.

⁵ Ausink, John A. The Effect of Changes in Compensation on a Pilot’s Decision to Leave the Air Force. Harvard University, p. 27. 1991. Bartholomew. p. 90.

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⁶ Pulley, John. Running on Empty: Air Force Leaders are at a Loss to Fix Retention Problem. Air Force Times p.58. March 16, 1998.

⁷ Bartholomew. p. 90.

⁸ Stum, David L. Five Ingredients for an Employee Retention Formula. HR Focus. Vol. 75 Issue 9 pp. S9-10. September 1998.

⁹ Chapman, Suzanne. Keeping Pilots in the Cockpits. Air Force Magazine. p. 68. July 1997.

¹⁰ DoD Aviator Retention Study. p. 2-5.

¹¹ Levy, Claire Mitchell. The Civilian Airline Industry's Role in Military Pilot Retention: Beggarman or Thief? Santa Monica, CA, Rand, p. 29. 1995.

¹² DoD Aviator Retention Study. p. 2-5.

¹³ Ibid. p. 2-13.

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Chapter 4

Air Force Culture

Organizational culture is the social glue that binds organizational members together through shared values, symbolic devices, and social ideals.

Organizational Culture and Leadership

The American military culture, established through two centuries of tradition, is under attack like it has never been before.

Major General (ret) William C. Moore

The previous two chapters described the rated management process and the factors that influence it. They provide a basic understanding of how the rated management dilemma has evolved. This chapter will expand on that understanding and focus on what the Air Force has done to remedy the problem. It will then identify a neglected factor in the retention dilemma and proposals to address it.

The Services have conducted numerous surveys to gauge the retention climate and to identify specific items that influence the aviator's decision to stay or leave. The results have three items in common. They are pay and entitlements, frequency of household moves, and operations tempo (OPTEMPO). Albert Mitchum, in his study, *Air Force Pilots: Why Do They Stay?*, discovered a direct correlation between geographic stability, compensation, organizational climate, and job satisfaction on an officer's motivation to remain on active duty.¹ These results are consistent with the results of Chief of Staff's

Survey on organizational climate. It found job characteristics, unit performance, core values, and teamwork as the most positive climate indicators. Organizational culture, as defined in the epigraph at the beginning of this chapter, encompasses all of these items. According to a recent survey of pilots who did not take the pilot bonus in fiscal year 1997, 30 percent indicated OPTEMPO as the main factor in their departure. Their next most frequent response was quality-of-life factors.² Each of these findings can be related back to the statement made in the opening paragraph of the preceding chapter, that being, as officers progress through their careers, their experiences influence their decision to stay in the service or seek other opportunities.

Air Force Chief of Staff General Michael E. Ryan's recent statement that he doesn't believe the retention problem can be fixed by throwing money at it, is the first indication that the Air Force is beginning to understand what needs to be done to solve its dilemma. His decision to increase the active duty service commitment to 10 years will ensure the nation gets an equitable return on its pilot training investment, while stabilizing the force and maintaining combat readiness.³

Recent increases in pilot production will help prevent shortages in the future. Historically, production increases have been an effective way to offset low pilot retention rates. Given the present training infrastructure, the Air Force cannot increase pilot production much beyond the 1,100 active-duty pilots programmed in the near future. At these levels, the Air Force has ten years to come up with a plan that will influence 60 percent of their pilots to remain in service after their initial ADSC has expired.

Quality-of-Life

Faced with a tempo that has placed increased demands on its people and the ever-changing values of tomorrow's workforce, the Air Force has found itself up against a wall when it comes to how to fix the retention problem. Borrowing from a growing trend toward work/life strategies among civilian employers, Air Force leaders have turned to a retention strategy focused on "Quality of Life".⁴ Essentially, a work/life strategy is a strategy based on balancing the demands of work with those of a quality family life. A 1999 paper from the Air Force Director of Personnel titled *Quality of Life Focus*, states that quality-of-life is a prominent factor in Air Force strategic planning. It goes on to link the concept to recruitment and retention of quality people, force readiness, and a strong sense of community. The strategy contributes to mitigating the impact of high personnel tempo (PERSTEMPO) levels on members and their families, to providing compensation that recognizes increased demands on Air Force people, and to assessing the impact of rising OPTEMPO on the total force.⁵

Contained within this strategy are initiatives aimed at addressing categories within a spectrum of targeted quality-of-life issues. These include fair and competitive pay and benefits, balanced tempo, quality healthcare, adequate housing, and an overall sense of community. The Air Force has initiated improvements in each and every one of these categories with the greatest emphasis placed on the two they deem to have the greatest impact on retention and readiness--compensation and tempo levels.

The summary contained in the *Quality of Life Focus* goes on to state that,

Robust Quality of Life programs have long been and will continue to be key to mission success—complementing doctrine, force structure, and modernization. Not only are investments in Quality of Life the right thing to do to compensate our people for the increasing demands associated with

their membership in the expeditionary force, but they are also sound business considerations. The business-related return on investment for the Air Force is determined by the positive influence of such programs on recruiting, retention, and ultimately, readiness. Through the steady pursuit of balanced Quality of Life initiatives and the continuing support of the Administration and Congress, we can achieve the goal of providing living and working environments that allow our military members and civilian employees to excel and their families to thrive as well.⁶

Pilot production and terms of commitment, though important, only address the symptoms of decreased retention. To truly affect a change in the dynamics of retention, Air Force leaders must identify and address the issues at the very heart of the problem. Quality-of-life initiatives are a step in the right direction but only partially explain the glue that binds Air Force members together. The remaining cultural determinants are the key to the retention dilemma.

A Cultural Perspective

Results from several studies indicate that organizational culture is significantly related to voluntary turnover and organizational commitment, and that the congruence between an individual's values and the organization's values are correlated with commitment, job satisfaction, intention to quit, and turnover.⁷

Retired Major General William C. Moore believes that part of the retention problem is, in fact, that many of the current military leaders do not see the real problem. In his recent editorial to the Wall Street Journal he states,

Warriors join and stay because they know they are special and that not everyone can do their jobs. They are leaving now because their leaders have created an environment that doesn't appreciate them as special—as an elite that is not open to everyone. Warriors leave because they don't like the lowering of standards and they are offended at being given the cookie-cutter treatment. They are tired of being told that their unit rituals are outside the behavior “norms” and that in the new workplace some of the traditions of the warrior are now considered “incorrect” conduct. The

old airborne and fighter-pilot attitude just doesn't fit anymore, because it is seen as "exclusionary".⁸

General Moore's beliefs were echoed by Robert Stumpf at the Center for Military Readiness Conference on "The Culture of the Military". Captain (ret) Stumpf is a former commanding officer and flight leader for the Navy Blue Angels. His remarks included,

The flight of our military aviators has little to do with how much we pay them, and much to do with the decline of their cherished military culture and traditions. They will continue to be dissatisfied until their leadership policies actively and definitively support a warrior approach at the squadron level; where tactical proficiency and innovation are rewarded; where social intimidation ceases to exist; where the ready room is once again an extension of the cockpit from a cultural perspective.⁹

Are General Moore and Captain Stumpf two crusty, old warriors living in the past? Perhaps, but a growing body of evidence supports their contentions. Included among the literature are findings that indicate employee loyalty is a casualty of the transition from an industrial age to an information society, and that organizations have torn up the old social contract as part of streamlining, outsourcing, and rightsizing.¹⁰ These statements are a direct reflection of the Air Force's move towards "new technology" and the turmoil of the military drawdown.

What the two gentlemen do not acknowledge is that a new U.S. workforce has emerged and it is more independent, educated, entrepreneurial, diverse and wary than ever.¹¹ This highly motivated and dedicated workforce demands and expects to receive a new "mutual commitment contract" from the Air Force if it is going to allow itself to be recruited and retained into the 21st century.

Is there a "mutual commitment contract" in the Air Force's future? A similar question launched Aon Consulting's exhaustive three year study of employee loyalty in America in 1995. The purpose of the research was to establish an annual index of

workforce commitment (WCI) and to investigate the organizational factors and conditions that enhanced or depressed the commitment level. This study was replicated in 1998. The trend showed a lower commitment across all industries, job functions, and levels. The data indicates that the drop is best explained as a function of increased stress, work/life imbalance, and the favorable employment conditions of a tight labor market.¹²

Job-related stress is on the rise. The percentage of employees reporting job-related “burnout” rose from 39 to 53 percent in the last three years. This workforce is winded from working longer hours. Increasing numbers of workers are feeling the struggle and the pressure to balance work with other parts of their life. Employees know it is their turn to have the upper hand in the marketplace. More than a quarter of the respondents said they would consider another job if there was a pay raise of 10 percent. More than half would check out the opportunity for a pay raise of 20 percent.¹³ Pay, however, will not be the deciding factor in whether pilots stay or go.

The 1998 study investigated a variety of factors or conditions that could affect the WCI. Seventeen factors were found to be significantly correlated with the WCI, but the true “drivers” of retention are a fearless culture, organizational direction, job satisfaction, and recognition of work/life balance needs.¹⁴

Of several items in the study dealing with the work environment, the following factor had the highest correlation to the Index: “The extent to which the organization encourages you to challenge the way things are done.” Being able to speak up against the status quo would be possible only in a culture where there is no fear of retribution.

“The direction the company is heading” was the second most highly-correlated item to the WCI. Employees today want to believe in and have confidence about their

company's future. Organizations often look like they are more out of focus when they are seen internally, rather than externally.¹⁵ Faith that all will be well for the company and its employees is a key driver of retention.

Job satisfaction has been a recognized factor in organizational performance for 25 years. Not only is job satisfaction proven to affect productivity, quality, and morale, but there is also a strong correlation between job satisfaction and commitment.

The factor most significantly affecting workforce commitment is "leadership's recognition of the importance of personal and family life." This finding supports the contention that work/life concerns should be an essential element of an organization's retention strategy.

What implications do these findings have on efforts to increase pilot retention in the Air Force? In order to have a profound effect on retention, Air Force efforts to address the rated management crisis must be directed at the factors inherent in each one of these findings.

Solutions

This paper has explained in detail the complexity of the various factors that influence rated management and retention. Any proposed solution that focuses on just one factor is destined for failure. Solving the rated management dilemma will require an integrated effort to address the entire spectrum of factors presented here. This final section will review the key points made thus far. It will assess the adequacy of Air Force efforts aimed at addressing those points and suggest alternative actions where those efforts are shown to be lacking.

Requirements

Except for the 1994 revision triggered by the Bottom Up Review, the Air Force has produced an accurate and stable estimate of the rated requirements curve. The rated management system has shown a high level of competency in determining the optimum mix of experience levels across the rated force. If anything, demonstrated excellence in this area should have made the supply side of the equation that much easier to manage.

Supply

Despite the fear of beating a dead horse, its worth mentioning that the “bank”, reduced production, and closing UPT bases are the number one reason we face a pilot shortage today. The lesson to be learned here is that sustained production eliminates supply driven shortages. Increasing pilot production levels to 1,100 by the year 2000 will adequately address this factor if, and only if, CCRs can be maintained at 60 percent. Serious consideration needs to be given to whether or not the Air Force needs another pilot training base. Production levels in excess of 1,100 would allow the system to apply policy actions other than those aimed at retention to shape the distribution. Although the Air Force is helpless when it comes to reversing past production mistakes, it can invoke a seldom used policy called “Stop Loss” to prevent pilots from getting out.

Stop Loss is available during a national emergency. Only the president can invoke the program, which allows the commander-in-chief to suspend any provision of law relating to promotions, retirement, or separation that applies to any member of the armed forces essential to national security. When the Secretary of Defense issues a Stop Loss order, each military service determines its mission needs in responding to the emergency. Stop Loss can be a continuing process as long as the emergency lasts, with Air Force

specialty codes and units being added or deleted as events change. Pilot shortages have been called a “national emergency” by Air Force officials, but the benefit derived from this unpopular option is not significant enough to risk the adverse reaction that might occur within the pilot community.

Another option concerning supply merits mention. The United States Marine Corp uses a sophisticated questionnaire during the application process to determine whether or not a potential candidate fits the standard Marine profile. A similar process used by the Air Force may be able to determine those candidates most likely to complete a career in military aviation.

Monetary Incentives

Air Force Chief of Staff, General Michael E. Ryan recently said, "I am not sure bonuses are the answer; it's all the other intangibles." Since the first bonuses were implemented in 1982, no fewer than three doctoral theses have been written with the premise that DoD modeling techniques vastly overstate the effect of bonuses on pilot retention.

However, overall compensation is another matter. With the full support of the president and Joint Chiefs of Staff, Defense Secretary William Cohen announced on December 21, 1998 a proposal for significant pay increases and retirement improvements for the fiscal year 2000 budget. Air Force senior leaders lauded the announcement after working closely with Department of Defense officials to push for reform. "These changes reflect our commitment to the men and women who we've tasked with a very tough but vital mission," said Whit Peters, acting Secretary of the Air Force. "It's just

one example that we have taken their problems to heart and are working hard to solve as many of them as we can."

Pay is a definite retention issue, but these initiatives target only those individuals that the Air Force is currently having trouble retaining. This sends a strong signal that defense officials are using pay to massage the current retention crisis rather than addressing the differential between military pay and its civilian equivalents. Given its budget restraints, there is no way that the Air Force can compete with civilian airline salaries, but they can develop a pay system based on the value added to the Air Force of any given specialty. Should an O-3 who is a public affairs officer and rarely deploys be paid the same amount as an O-3 who pilots an AC-130 and is gone 180 days out of a year? If the Department of Defense wants to show its commitment to its people, it should increase the value it places on what they do and then compensate them accordingly.

The Civilian Airline Factor

The loss of pilots to the airlines would not be a factor in retention if an Air Force career was a more attractive alternative. In fact, if a supply of military pilots was not available, the airlines would be forced to develop their own training programs to compensate for the reduced supply of military pilots. The increased supply of civilian trained pilots would further reduce the demand for military pilots.

The plight of Air Force navigators can be used to illustrate how civilian airline hirings affect pilot retention. Although they are subject to the same conditions as their pilot counterparts, navigators do not have civilian employment opportunities tied directly to their military specialty. Therefore, their options are limited. Until recently, the Air

Force believed that was enough to assure an adequate supply, but retention issues are affecting navigators and they too are beginning to leave the service.

If the Air Force was serious about the effect of airline hirings on retention, they would eliminate the ability for separating pilots to supplement their low initial salary in the airlines with money earned while flying for the Guard and Reserves. They would stop placing Guard and Reserve bases next to major airline hubs and limit the opportunity for airline pilots to fly F-16s on the weekend. More than 50 percent of the pilot candidates entering the service say that flying for the Air Force has been a lifelong dream. What message does Phoenix Aviator 20 (a program designed to help Air Force pilots transition to the commercial airlines, thereby theoretically increasing the likelihood of completing a full 20-year military career) send to aspiring Air Force pilots about their choice of careers. This program reinforces the belief that an airline career is superior to a military career. The Air Force should promote the unique rewards that are part of belonging to a military organization, and make it common knowledge that if you want to fly jets and employ military weapon systems, you won't do it while flying for Delta.

Quality-of-Life

When faced with the decision between flying jets in the military and taking care of their families, its not surprising that many Air Force pilots are choosing the later. Facing a decline in military culture and ethos, aviators can no longer justify the hardship of deployments and lack of compensation for their families. Air Force officials are making great strides in addressing the role these factors play in retention, but the fact that the Air Force allowed quality-of-life to deteriorate in the first place is very disturbing. A work/life strategy is only successful when it is embedded in the very culture of an

organization.¹⁶ Until recently, the Air Force failed to remember the critical role that work/life initiatives play in the success of an organization's recruitment and retention strategy.

In attempting to deal with the problems associated with OPTEMPO, the Air Force has borrowed a system used by Military Airlift Command for its C-130 units during the Cold War. Each stateside 130 unit would rotate into RAF Midenhall for nine weeks to augment the tactical airlift in theater. These "rotations" became a fact of life in the 130 community. They were enjoyed by some, tolerated by others, and served to spread the burden across the existing force. Similarly, the Expeditionary Air Force (EAF) will significantly reduce the strains of OPTEMPO by spreading the load of deployments across the total force and by increasing the number of airmen assigned to specialties that frequently deploy. This organizational reform will lend a semblance of predictability and stability to the lives of airmen and their families.

The Air Force Personnel Center recently administered a survey in an effort to identify ways to increase stability and predictability for Air Force members and their families. The "Home Basing Survey" was designed to gauge Air Force members' comments on a proposal to allow individuals to serve in one location for up to eight years or more. The response to the survey was overwhelming and initial indications are that implementation of a proposal of this kind would have a profound affect on Air Force people. An even better solution for addressing the issue of geographic stability can be found in a modification of the total force concept.

There are currently 3,910 pilots on flying status in the Air National Guard and another 2,787 flying in the Reserves. The two components own 125 Wings in over 100

locations nationwide. They account for 12 percent of the force budget but perform a significantly lower percentage of the missions. Currently, approximately 35 percent of all Guardsmen and Reservists occupy full time positions.¹⁷ Wouldn't it make sense to reorganize the active duty and fill 75 percent of these Guard units with "regular" personnel? The new organization would allow Air Force families to live closer to their traditional support structures, would provide more forces to fill the Expeditionary Air Force, and would take advantage of the experience and cohesion found in stable military organizations. Deployed forces would take solace in knowing their extended families are located close enough to provide support during the period of separation. Plus, the Air Force would receive a better payback on its investment in assets currently residing in the Guard and Reserve.

A Cultural Perspective

It is fitting that the factor at the very heart of the retention dilemma is the last to be assessed. The ever-changing values of tomorrow's military have created unprecedented demands for flexible, diverse benefits and policies. We are realizing that true success stems from the comprehensive effects of the military's culture and the rigorous, system-wide implementation of strategic change. A lack of true engagement, especially when combined with many years of "programs-of-the-week," can cause confusion, division within the ranks, the dissipation of resources, and a scattered effort. People can become disillusioned and alienated, and they can lose their loyalty to others and the organization. In such cases it doesn't take long for distrust, poor communication, resistance, cynicism, and hidden agendas to take root. The premise behind the new generation of human performance approaches is that the solutions to most organizational issues reside within

the organization itself.¹⁸ This is especially true as it pertains to the Air Force and its pilot retention dilemma.

If the Air Force is to forge a new alliance with its members, it needs to restore missing elements within its traditional culture. It needs to change the way it does business. It must transform itself into the type of organization that prevents retention problems rather than reacts to them. It must develop a cultural plan of action that is embraced by leadership rather than just paid lip service to. These changes must do more than just react to a retention crisis, they must build a “mutual commitment contract” that goes beyond an agreement to stay five years in exchange for more money. These changes will require new attitudes and leadership styles. They will require a “fearless culture,” one that can admit to mistakes and learn from them. One that puts people first, not only when it is convenient, but as part of the social glue that binds the organization together. This commitment to culture will require a national leadership that values the military, appreciates its sacrifices, and understands the warrior spirit.

Notes

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² Chapman, Suzanne. *Keeping Pilots in the Cockpits*. Air Force Magazine. p. 69. July 1997.

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⁴ Vincola, Ann. *Cultural Change is the Work/Life Solution*. Workforce. Vol. 77 Issue 10, pp. 70. October 1998.

⁵ *Quality of Life Focus*. Air Force Personnel Center. p. 5.

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⁷ Sheridan, J. E. *Organizational Culture and Employee Retention*. Academy of Management Journal. pp. 1036-1056. December 1992.

⁸ Moore, William C. *The Military Must Revive its Warrior Spirit*. Wall Street Journal. Vol. 232 Issue 83, p.A22. October 27, 1998.

⁹ Stumpf, Robert. *Center for Military Readiness Conference. The Culture of the Military*. US Capitol. October 21, 1998.

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¹⁰ Stum, David L. Five Ingredients for an Employee Retention Formula. HR Focus. Vol. 75 Issue 9 pp. S9-10. September 1998.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

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¹⁵ Harkins, Philip J. Why Employees Stay—or Go. Workforce. Vol.77 Issue 10, p 75. October 1998.

¹⁶ Vincola. p. 72.

¹⁷ Air Force Almanac. Air Force Magazine. p. 44-101. May 1998.

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Chapter 5

Conclusion

ACC commander, General Dick Hawley, in a speech given at Offutt Air Force Base in Nebraska, gave a comprehensive summary of Air Force efforts to improve retention,

Realizing that the Air Force, in most cases, will never pay their people what they can make on the outside, Air Force leaders must continue to stress the immeasurable benefits that come with serving their country. A great mission, living and working around people with like values and service to the country are benefits given to Air Force people -- and ones that should not be overlooked. We don't pay people based upon what we've taught them. We pay people based on grade and time in service. So sometimes there is a disparity between what we pay them and what they can make on the outside -- we can't overcome that. But I can work hard to make sure the Air Force is the kind of class organization that takes care of people and their families. Reinforcing those things that make the force a great organization will be one of the keys in winning the retention battle. The first strength is the mission. No place in the world will you get as much responsibility and do more important work than what you do in the Air Force. We need to key off the importance of what we do for the country. The opportunity to serve our nation and help to preserve the freedoms that we cherish is one of the main reasons people join the Air Force -- and I think it will continue to be important for many people who choose to stay in. Working with people who have similar goals and values is also a strength of the Air Force that should not be taken lightly. Think about the kinds of people that you get to come to work with, play softball with and all the other things you do. This is a great community of people with the kind of value system that our people appreciate. Pay, high operations tempo, lack of skilled workers and a booming economy are all adding fuel to the retention problem. Besides the very high operational tempo we've been carrying for almost a decade (since the beginning of the Gulf War), there have been a lot of other issues that have conspired to make life miserable for us. In the time since the Gulf War, the Air Force has gone from more than 600,000 people to about 370,000. With unemployment rates hitting record lows, Air Force people are looking

more seriously at making careers outside of the military where their skills are marketable. We train people well, we give them a lot of skills that are marketable, and the economy is very robust -- all of which make it tough to compete sometimes. . The new Expeditionary Aerospace Force initiative should help alleviate the high temporary-duty rates being incurred by many people. With the EAF, we're trying to make sure that we do the best job we can to properly manage how we accomplish our mission in a way that does not ask people to do more with less. We think we're going to be able to do that, and that will help us deal with some of the retention issues. So what would the general say to somebody facing the decision to stay in our get out? Well, I would say to think carefully about what you're not going to have when you leave the Air Force. Number one, you will not have challenges and responsibilities the Air Force gives you. Second is the issue of people. What kinds of people are you going to work and live with when you leave the Air Force? Air Force people have a shared value structure that they might not find someplace else. And finally, not having the opportunity to serve their country. It's a lot different chasing the bottom line -- trying to make profit for corporation -- than it is trying to preserve freedom for the American people. There's a certain income in that -- called psychic income -- that they're not going to have.

The rated management crisis the Air Force faces today is the result of errors made during the drawdown. The problem has been compounded by a number of factors that have been shown to impact retention. The sheer volume of corrective actions initiated by Air Force and government leadership is a clear sign that they understand the gravity of the situation. For the first time, the Air Force is going “out of the box” to find solutions to this difficult problem. The success of those efforts will depend on the Air Force’s ability to recapture its cherished military culture, to adapt that culture to changing times, and to continue to do whatever is necessary to build on a growing commitment to its people.

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